

COMMITTEE ON COMMUNITY IMPROVEMENT

August 5, 2003

4:30 PM

Chairman O'Neil called the meeting to order.

The Clerk called the roll.

Present: Aldermen O'Neil, Wihby, Shea, Smith, Lopez

Messrs:

Chairman O'Neil addressed Item 3 of the agenda:

Sewer abatement request of Elaine Marley (172 West Shore Ave.).

On motion of Alderman Wihby, duly seconded by Alderman Smith, it was voted to approve a sewer abatement at 172 West Shore Avenue in the amount of \$482.05 as recommended by EPD.

Chairman O'Neil addressed Item 4 of the agenda:

Presentation regarding financing of renovations for the McQuades' building.

Mr. William Jabjiniak stated what I have that is being passed out is a copy of the budget authorization and the resolution, which were not included in your agenda packages. They were put onto the Finance Committee agenda but not on the CIP agenda so we had copies made for your review. I would like to start by introducing a woman to my right. Her name is Jessica Child and she is interning with us in the Destination Manchester initiative. Jessica is a graduate of West High School and currently pursuing her MBA at McGill University in Montreal. She has played a big role in putting this presentation together and is going to be handling some computer duties here for me tonight so thank you, Jessica, and welcome. I am sure everybody knows this location, the McQuade building at 844 Elm Street. We are proposing to enter into another public-private partnership to renovate the historic structure that you see on the screen up here. The developer is proposing to renovate the first floor into 10,000 square feet of retail. The second and third floors are brought into code compliance and ready for occupancy as office space when it is complete. The ownership team is actually four local

businessmen. Steve Talarico who is traveling today and not here is one member of the four. The second one is Steve Cormier of Bailey's Distributing. The third partner is the infamous Steve Schubert. Steve has been in front of the Board before and he is also available to answer questions. The fourth guy is sitting next to me here and really needs no introduction. Dick Anagnost is here to really get into a lot of detail. With that, I am going to turn it over to Dick as he gets in to what he has accomplished here.

Mr. Dick Anagnost stated thank you for seeing us today and thank you for that glorious introduction, Bill. As a preface to our request today we felt that some of the Aldermen who are new to the Board and those who have not been following our exploits through time in our renovation of Elm Street, we felt that we needed to bring a little bit of history to the table so that people could understand, particularly the Aldermen could understand exactly what we have done and how we have done it and why we are here today. This would be our twelfth project in what you would call the Greater Downtown Manchester area. They have all been mixed use projects. The first one was 1662 Elm Street, which was a boarded up hardware store. It was originally AIG and ultimately converted into a hardware store and then boarded up. We took over that building. It is 18,000 square feet. It was 100% renovated. We spent approximately \$1.6 million in private sector financing and equity to do it. It is 100% occupied by UBS, Payne Weber and Bank of New Hampshire. The second property, I think, goes without an introduction. It was a 6,800 square foot boarded up auto parts store. It, again, has been 100% renovated to the tune of \$760,000 in private investment. It is 100% occupied by Planned Parenthood as a medical office use and has fit in very nicely, believe it or not, with the neighborhood and the abutters. Both of these properties are paying taxes significantly higher than when we took them over. Both of them were blighted boarded up buildings when we started. The third building again doesn't need any introduction. We will be closing with you people on the 11th of this month hopefully if Mr. Arnold and the other attorneys get together on how we should do this. This is the Pearl Street school. It was originally a City grammar school. It ultimately turned into a number of different uses including the last one being a daycare center. It was boarded up when we took it over. It is currently a dozen units of elderly housing, which is 100% occupied and it is fully paying taxes. The development cost for this was to the tune of about \$660,000 with \$75,000 being provided by Manchester Housing and Redevelopment Authority and the balance being provided by the private sector. Going on, once again another building that was blighted and boarded up and the residency of a number of vagrants was the property at Brook and Canal Street. This building, the City cooperated in financing. There is a \$150,000 second mortgage that was CDBG funds advanced by the City to assist in the development of this project. This building was really gone and it cost us a little over \$1.4 million totally in order to rehab. It is 100% occupied. It is affordable housing. It was done with low-

income housing tax credits, private sector financing and \$150,000 from the City CDBG loan. Now the terms of that loan were that we didn't need to start paying it back until the fifth year and we started paying it back in the first year and I believe if you check with Finance it has been current ever since. The next property is the old Stark Mill down in the Millyard. This was a project that was going to be commercial condominiums. It was an unfinished project. We originally got it back from the bank. We renovated it and sold off a number of the square footage that is in there. We still currently own the entire first floor, which is made of up Barnes & Noble and Milly's Tavern and the University of New Hampshire who are our tenants. Once again it was done with 100% private financing and we spent roughly \$500,000 to finish off this project. The next project the City of Manchester owns and we have the option at the end of 15 years...I think \$3,750,000 was put into this project. It is 43,000 square feet of office retail on the first floor, which is occupied by Margaritas. There is currently 4,400 square feet available in this project. Once again, it is 100% tax paying and for the most of the Aldermen that I am looking at today they knew the condition of the building all too well when we tapped this project. The next building is on the opposite corner, which we were sort of forced into doing because the tenants that we were courting for the Chase Block didn't want to occupy the Chase Block unless something was done with the boarded up, blighted building on the other corner. So, the Chase Block actually turned into two phases. It turned into the Chase Block phase and the Bond Building phase. The Bond building was 100% renovated. It has nine market rate residential units in the upper three floors. The first floor is retail occupied by Papa Johns and Dunkin Donuts and the second floor is 100% occupied as office space. Again, this building was boarded up. It is paying 100% taxes and this building probably reflects the best example of what we are requesting to do with McQuades. The exterior façade of the building wasn't in that bad a condition. We did whatever exterior façade work was necessary, which is the same thing we are proposing on McQuades but this was a total gut rehab to the outside walls on the interior and that is the same as what we are proposing on McQuades today is to completely gut the building to its outside walls, replace all of its systems, all of which need to be replaced, bring it up to today's codes and then put it out for lease again as we did with this and the previous properties. This building was financed by Section 108 funds in the first and CDBG funds in the second position and it was financed at 100% of appraised value. Going on from there, the next building is owned by Paul Smith. It is the Dunlap building. It is the next corner south, Amherst and Elm. It will be 100% occupied as of September 1. It's first floor again is retail with Fusion and the Chinese restaurant and the upper four floors are all office and they will be 100% occupied by September 1. Again, this building wasn't in as bad a condition as the Chase Block/Bond Building or the McQuades building interior so we were able to save it historically on the inside and restore it back to paying full taxes. It had been closed up for approximately four years when we took it over. The ninth project is

one that we undertook actually a long time ago. This was done in 1989. It was a 30-unit rooming house that had burned. Armand Gaudreault at the time had issued an order for it to be demolished. We demolished the building and built a new building and turned it into 21 units of affordable housing and it still stands 100% occupied today. The next building is 33 South Commercial Street in the Millyard. This was occupied by Furniture Warehouse and only Furniture Warehouse at the time we took it over. It is 170,000 square feet. We spent roughly \$3.6 million of private financing to rehab this building and it is now as of September 1 100% occupied as well in paying taxes. The next building is 494 Elm Street. That is the old Tri-State building, which wasn't as vacant as long. This was only vacant for probably a year when we took it over. There was approximately \$900,000 spent to bring it back to the tax roles in the condition it is in. We upgraded everything and it is currently occupied by Omega. Lastly is the subject property, which is the McQuades building.

Mr. Jabjiniak stated I thought it would be great to have the Committee see exactly what the developer is up against and with some of the pictures that are up here you can get a feel for the condition and really with a historic rehab like this how expensive it can be when you have to address a lot of different issues. Dick and I are going to point to a couple of different things on here.

Mr. Anagnost stated as with the Bond Building and the Chase Block particularly, when buildings get into the condition that these buildings are in and McQuades looks pretty good from the outside but once you go inside it is probably in as bad a condition as the Chase Block was when we started it for those of you who walked through the Chase Block. As we all know, these historic structures built in the 1800's and early 1900's...bringing them up to today's codes is very expensive. That is one of the reasons that all of these buildings cost more to rehab than their appraised value. It was like that in the Chase Block, which was appraised for approximately \$2.6 million and we spent \$3.750 million to rehab it. The Bond Building cost us roughly \$2.4 million and the financing was roughly \$2 million and McQuades is the same. It is going to cost roughly \$2.4 million and we will be in at around \$2.725 million. So, the big thing for you to observe in these photographs is that everything you are going to see is either obsolete or does not meet code in any way, shape or form. McQuades looks good on the outside but is structurally deficient inside because it was built in four different phases during four different decades.

Mr. Jabjiniak stated I think some of these pictures are self-explanatory. You have some exterior views from the back alleyway showing the condition of the property and some of the fire escape conditions. There we have a very narrow stairwell or balcony that really has a very short ceiling and is not the proper width. On the

right hand side you will see a very low ceiling height. I can tell you that gentleman is about 6' tall I would say.

Mr. Anagnost responded he is actually about 5' 7" I would say.

Mr. Jabjiniak stated I'm sorry. Here you can see we have some height problems to deal with as well. This is one of the better ones. The fire exit says break glass on door. I had to chuckle when we first saw that. That doesn't even come close to meeting any kind of codes by today's standards, yesterday's standards or a long time before that. These are the types of things we are looking to deal with. You can see a floor built over a floor and a few things layered on top of each other. Inoperable mechanical systems, exposed wiring...we are going to see a lot of exposed wiring installed throughout the years. They are looking to get meters on the outside to keep Public Service happy. There are a lot of deficiencies. Water source cooling tower. It looks in pretty tough shape and it is. I think that is one of the big problems we have up there with water coming down on the property. We have some very old and obsolete wiring – see the picture on the right hand side. Structural problems. There are some holes in the floors that are filled in without proper support. That is common throughout the different floors. That is actually a rubber roof installed over an old skylight to try to keep it from leaking but that is something else that will have to be addressed. To address some of the project's goals if you will, it wasn't too long ago we were looking back at the three large vacant buildings up the street – the Chase, Bond and Dunlap and this project certainly complements the public and private investments going on downtown. I will even point to the privates with the Tenn Building being renovated and also 850 Elm Street where the Piccola expansion is happening. This continues some support for the downtown and the buildings being renovated. This has also got a substantial amount of historical features that would have to be maintained. Those historical features obviously maintain our character and keeping in mind that the three previous buildings we have talked about have all won historic awards and I would expect this one would win one as well. Most importantly, this project is estimated to create approximately 64 jobs and that is something that the federal government allows us to point to – job creation is one of the eligibility requirements for the Section 108 funding. One of the things we strive to accomplish when we put these packages together is to do it without local tax dollars. We are trying to do it without local bonding and we have been successful again with doing it on this project. We have a Section 108 program. It is earmarked for economic development purposes. We are putting about \$1.9 million into that and that is a line of credit we have with the federal government. We have pledged our future CDBG funds in order to secure that line of credit and we lend it out to the private sector and even non-profits are eligible. We take first mortgage position with that financing mechanism and security in addition to obviously having pledged leases and rents from the developer as well. I

mentioned about the historic features. The building is appraised at \$2.4 million. It is going to take \$2.4 million to get it renovated. Very similar as Dick said earlier to the Bond Building itself. We have mentioned that the rentable space is 24,100 square feet. These are the actual numbers we are facing. Total development cost is \$2,725,000. I am proposing we use the HUD Section 108 loan program for \$1,920,000. That will be for a loan that is amortized out over 20 years and balloons in payment in Year 15 and is at a 6% interest rate. The second position mortgage would be through the Manchester Development Corporation for \$250,000. It is the same terms as the Section 108 – 6% with a 20-year amortization and 15 year balloon. MDC has yet to take a full vote on this. It has met in sub-committee and the sub-committee has recommended it for approval. Scott Ellison is here from MDC to address any questions you have on that but the full board of the MDC is meeting Friday morning so any action you are taking tonight would be subject to their approval as well. \$230,000 of other economic development funds are funds from the sale of land at the Airpark. We are proposing those funds to be at 0% interest subject to available cash flow. That is done to maintain a debt coverage ratio that does not put the squeeze on the developer. He can meet his obligations for expenses and for debt payments. So that is the flexible variable in this equation if you will. Not to be forgotten, obviously, is the owner contribution of \$325,000. That represents his cost and fees associated with the up front development costs.

Mr. Anagnost stated with respect to the other economic development funds and the MDC money, we have used combinations of these three funding sources already, with the Bond Building, Dunlap Building and the Chase Block in various increments so this isn't anything new and if you were to consider that we took our first boarded up building in 1990 and this being 2003 and this being our twelfth we have essentially averaged one boarded up building annually to put back on the City's roles in paying full taxes. Out of all of those projects that you just saw the only vacancy we have is 4,400 square feet on the Chase Block and I don't know what the total number of jobs we have created is but there are literally hundreds of jobs that we have brought in with these various project and McQuades is just another continuation of continuing the economic rebirth of Manchester and continuing the economic development engine that we started a number of years ago.

Mr. Jabjiniak stated before I look at a project I like to use what we call a SWOT analysis, which is simply strengths, weaknesses, opportunities and threats. Some of the strengths and I have said it before but any good redevelopment project really should increase the tax base and we have estimated approximately \$1.1 million added to our tax base. I think we are at \$515,000 for an assessed value going to \$1.6 million. That is how I get the \$1.1 million. We have an increase in tax assessment, which also translates into a projected tax revenue of \$44,000 a

year. Now with the help of the Assessor's Office is how we arrived at some of that. We looked at the projected 2003 tax rate and factored in some things going forward. They have been a big help in determining some of these numbers. Obviously this creates more choices for downtown tenants. We are seeing an increased demand for retail. I think that is important to keep going. It helps attract high quality, stable tenants. Dick has done a great job of filling all of the buildings he has. He talked about what little vacancy we already have. We have found that it is very true that there is a higher likelihood of filling space when things are renovated. I think Dr. Tenn is a good example of that. He sat there trying to fill his building and wasn't successful so he is now renovating it and I think you will see that one fill up very quickly. I think Dick has already talked about his experience as a very reputable developer and his accomplishments so I don't think I need to go into that. I would like to remind everyone that these are all loans and there are no grants involved here. The next screen really puts it into perspective a little bit easier. It is the same numbers I just went through with the assessment and the revenue and what is projected and what is current and you can see the increases. You are looking to obviously cash to your bottom line of about \$31,000 annually and your tax base is increasing approximately \$1.1 million. The weaknesses that we have identified and there are two of them here is the City is financing 100 % of appraised value. That is pretty clear. Total development cost is exceeding the after rehab appraisal. Dick is looking to partner with us to finance 100% of that. We have not really talked about the personal guarantee but there are no personal guarantees on this proposal going forward. The opportunities...obviously there is an increase in downtown activity especially with the upper floors. We have often talked about doing something with the upper floors along Elm Street. This is a chance to obviously get something renovated and get them occupied. That means jobs. The renovation will also continue the synergy of the downtown revival. We have also talked about the public-private partnership and the high demand for retail but I think it is a great opportunity for some additional investment with neighboring property owners as well. As you go down the street you will see additional investors step up to the plate as well. We have identified one threat, which is the soft demand for office space. There is no hiding it. Office space is somewhat plentiful although Dick has done a great job with filling our space up. Certainly there is more to just soft demand. I think it is how it is marketed and then go from there.

Mr. Anagnost stated one of the things that I would like to address as it relates specifically to the McQuades building is when it was built the third floor was essentially built as a rooming house. With the structure the way it sets up we can on both of the upper floors accommodate an office component that has yet to be addressed in downtown Manchester and that is the small office user. If you look at the Chase Block, the Bond Building, 1662 Elm...any of the buildings that we currently have they are mostly 2,025 square feet or larger. McQuades allows us

the flexibility to come down to 300 or 400 square foot offices if a tenant so desires. We have seen a demand in the marketplace for that. We saw it in the Chase Block and in the Bond Building, however, we were looking for larger block tenants. In this soft demand for office space we would be attempting to accommodate those small tenant users who are currently not being accommodated in downtown Manchester right now with a brand new building. They are currently in C or D spaces. They are currently in spaces that have not been rehabbed. A lot of them are expanding and need a little bit of a larger space. There are two businesses that are coming out of the business incubator, which by the way will be relocating to 33 South Commercial Street on September 1 that would be perfect tenants for this kind of an accommodation where they only need 200 or 400 or 600 square feet of space and we cannot accommodate any of those tenants in the previous buildings that we went through. With respect to the soft demand for office space, first of all we have had a very high occupancy rate and a very small vacancy rate. Even in this economy we have been able to keep all of the buildings filled because of the services we provide and because they have all been rehabbed and retrofitted but secondly we would be targeting a marketplace that has yet to be targeted downtown with a new building.

Mr. Jabjiniak stated what I am looking for tonight is simply for the Committee to approve the budget authorizations and I think there are three of them and the amending resolution. It is anticipated that a Committee report will come out of here to the full Board tonight. I want to remind the Aldermen that HUD still needs to approve and put conditions on things. We have a package actually assembled that looks like this. It is going to grow a little bit more but that goes down to HUD for their final review and blessing. I want to just talk about the schedule. We simply look to get the Committee and Board's approval tonight. They want to start by September 1 getting the abatement and demolition under way. They are looking for completion in May 2004 and I think they are also looking for a little bit of cooperation from the City on partial occupancy as the space gets completed so he is able to occupy the first floor with the retail tenants that we talked about. In conclusion, we are really looking at the private sector once again partnering with the City to accomplish economic development. We are providing the financing and they are increasing the tax base. We will rehabilitate another long-standing structure. We have raised the City assessments by \$1.064 million. Obviously that creates new revenue utilizing no local tax dollars. It is creating 64 new jobs for our downtown and we will continue the downtown renaissance. I guess I would consider that a win-win situation.

Mr. Anagnost stated I have two last comments and one is hard numbers, which all of you on this Board seem to understand particularly after the budget battles you have gone through. Out of all the properties that you have just seen, when we took over those properties the actual tax payments into the City were less than \$40,000

combined. They currently total about \$210,000 and they are all current so adding McQuades would bring us to approximately \$250,000 a year in payments from buildings that were boarded up and empty and whose assessments were incredibly low because of the status of the buildings. The second thing I would like to point out is with respect to risk. Every real estate project has risks but we attempt to minimize the risks by A) knowing our marketplace; B) doing a good job; C) bringing it to market as quickly as possible; and E) by pre-leasing. The entire first floor of this building will have signed leases prior to us going forward, which only leaves the two upper office components of roughly 14,000 square feet left to lease. So we have cash flow going into this property in order to cover a lot of this debt. Thank you.

Chairman O'Neil asked before I open it up to questions from the Committee do any members of the Board who are sitting out in the audience want to join us.

Alderman Lopez asked at the present time how much do we get in taxes with what is available.

Mr. Jabjiniak answered currently it is assessed at \$515,100 and the revenue is \$13,557.

Alderman Lopez asked when you say we are going to get \$44,000 in May 2004, did the Assessor say it wouldn't show up because April...could you explain the taxes to us.

Assessor Harrington answered you are correct that it may not be 100% for April 1 of 2004 because that is the tax base that we base the tax year on. We will be assessing whatever percent is completed so if they are targeting May 1, 2004 we will assess whatever is done as of April.

Alderman Lopez asked, Bill, the \$48,000...we are looking at the budget approval here for \$4,128,000. That \$48,000 is not actually coming out of that line item is it? The \$48,000 is coming from another Section 108 is that correct?

Mr. Jabjiniak answered yes it is. Originally we had a \$5 million line of credit. We have utilized everything but \$48,000 of that and that was really the Chase, Bond, Dunlap and \$500,000 on Bridge and Elm. The remaining balance there is \$48,000 so I closed out that project and took the \$48,000 from there and recently you have approved the new award of \$6 million so that is what we are taking the bulk of the funds from for the Section 108.

Alderman Shea stated one of the points with HUD is that it is a 10-year loan. Is that correct? You have to have a waiver for a 20-year loan?

Mr. Jabjiniak answered it is a 20-year amortization with a 15-year balloon payment so at the end of year 15 the entire amount outstanding becomes due and payable.

Alderman Shea asked but does HUD have a certain 10-year limit as far as how funds can be appropriated. Am I correct in that?

Mr. Jabjiniak answered no. They have established this line of credit. We are able to establish the terms. We have to have the entire line of credit paid back by the end of Year 20. I can go to a 20-year amortization but in your 15 I wanted to pay it in full so that I have all the funding back.

Alderman Shea stated I am in favor of this but when we decide to vote in favor of this approximately what percentage of HUD funds would still be available for other types of redevelopment. 25%? 75%? You are using the 2003 I realize but...

Mr. Jabjiniak interjected I am looking at of the HUD Section 108 Program about \$4,128,000 remaining after this.

Alderman Shea asked do you have any other proposals before you at this time.

Mr. Jabjiniak answered I do not.

Alderman Osborne asked on all of the rehabs that were done in the past, are those all separate corporations.

Mr. Anagnost answered they are all separate identities and they are all separate partnerships. There is some commonality between different members and different partners in the various projects. I am the one common thread between them all.

Alderman Osborne asked and this one here would be under a separate corporation also.

Mr. Anagnost answered correct.

Alderman DeVries stated Bill you spoke of other conditions that might be imposed by HUD when you go to them. Could you elaborate on what you might expect to see?

Mr. Jabjiniak answered I would expect that they would request that we make a first mortgage on the property. I would expect that they would ask that we make sure we have an assignment of leases and rents. They will review it for debt coverage ratio, loan to value, so forth and so on. They have asked for a survey of the property already. That is typical for every one of the loans that we do now but nothing more than that.

Alderman Gatsas asked is there a current first mortgage on the property.

Mr. Anagnost answered there is.

Alderman Gatsas asked the \$2.7 million will take out that first.

Mr. Anagnost answered yes it does.

Alderman Gatsas asked so the City is in a complete first position.

Mr. Anagnost answered yes completely. The title has been done and the title is warranted as well. There would be title insurance that goes along with the title.

Alderman Gatsas stated I think during your presentation you said that this building resembles or is as close in proximity to the Chase Building of the 12 projects that you did.

Mr. Anagnost answered on the interior; yes.

Alderman Gatsas stated my understanding on the Chase Building was that there was a personal guarantee but here there are none.

Mr. Anagnost answered there are no guarantees in the Chase Building. The City owns the Chase Building. It is the Bond Building on which there is a limited personal guarantee by myself and by Ed Barody, the other manager of that LLC.

Alderman Gatsas stated the assessed valuation shows \$1.6 million. The appraised valuation is \$2.7 million. Is there a reason why the assessed valuation isn't closer to the appraised valuation.

Mr. Anagnost responded I believe this could be addressed better by one of the Assessors.

Assessor Harrington stated the way that we looked at developing the assessed value is we input into the computer the particulars about the building and the way it will be constructed so we reviewed the plans and specifications that were

provided to us. We weren't focused as much on the actual income numbers that are projected on any appraisals that might be out there. We were looking more in terms of consistent with the other buildings in the neighborhood. Our feeling is that the \$1.6 million is a very realistic assessment but there is a natural difference between appraised values and assessed values in the City. Right now the appraised value is about 76% of market value overall. Our assessed values are lower than market value to begin with.

Alderman Gatsas asked how much lower than the 76% is this.

Mr. Harrington answered about 18%, no about 9% less than that.

Alderman Gatsas asked so it is in at about 65%.

Mr. Harrington answered correct.

Alderman Gatsas asked is there a reason why we haven't looked for personal guarantees on this project.

Mr. Jabjiniak answered we have asked for them.

Mr. Anagnost stated they haven't been offered. The Economic Development staff did ask us about personal guarantees and our proposal before you tonight is without personal guarantees. Our track record in the City and the amount of taxes that we pay and the tax base that we bring and the fact that this is a loan of last resort and is specifically for economic development and the diversity of our partnership doesn't allow us to offer those at this time.

Alderman Lopez asked Bill could you tell us...money for economic development. When we receive this money what is it for? Do we have a lot of people on a waiting list here to rehab buildings in the City of Manchester?

Mr. Jabjiniak answered I would say that we don't have a long list. We certainly try to encourage anybody who comes in and inquires about the properties or is thinking about getting into property ownership, we certainly talk about this program. Funds are here for economic development and job creation and increasing your tax base. Dick mentioned something about funds of last resort. If this was bankable, we are required to send him to the bank. I have a letter in this packet from the Bank of New Hampshire simply stating that it is not bankable.

Alderman Wihby asked can you explain to me about the loan...basically these are loans that a bank wouldn't give you so because of that they give you these loans

and you use them for that purpose because they couldn't go to a bank and get them.

Mr. Jabjiniak answered that is correct.

Alderman Wihby asked and if you could go to the bank you can't get these loans.

Mr. Jabjiniak answered that is correct. The other option is to turn around and try to get the bank to lend part of it and the bank has simply said that they are not interested in this project at this time.

Alderman Wihby asked but if they were you wouldn't even be able to use the project.

Mr. Jabjiniak answered I would be able to use the funds up to 80% of the value for the Section 108.

Alderman Wihby asked you could or...

Mr. Jabjiniak interjected if the bank was willing I could use the funding up to 80% of value but after that I would not be able to use anymore. If the bank would offer \$900,000 and I could put \$900,000 that is great but the bank is not interested in that at this time.

Chairman O'Neil stated I have a couple of comments before we take a vote here. I think the track record of Mr. Anagnost and his partners is well documented in this City. I think it was because of their commitment that this new Manchester that we see now is happening. They were the first group to commit to downtown Manchester and I continue to support them. Dick, just a couple of items...the condition of the building as you bought it. My understanding is that there were a significant number of life safety issues in the building as well as structural...I have heard stories of columns just pulled out and bearing walls.

Mr. Anagnost responded yes. A lot of construction has been done to the building through the years in renovations that wouldn't meet any of today's codes. They were done as cost effectively as possible so, therefore, there are a number of things that were done in the building that we would consider extremely dangerous and the Building Department concurs. The most anecdotal of those is the fire exit from the third floor. That was a unit occupied by a tenant. The other tenants in order to get out would have to break a glass in the middle of the door, reach inside, unlock that tenant's door, climb out that tenant's window onto a roof to a fire escape that you would have to jump to in order to get down. That is one anecdotal portion of it. Another one is there is wiring upon wiring. Yourself being an

electrician you have seen the condition of a couple of the photos but there are circuits that run from that old wiring to a new circuit breaker box to a meter that is inside the building. Therefore, it is a fire hazard not just because of that but because of the things that are stuck up in there. We spent approximately \$60,000 in rehab of that building already just to keep the existing tenants in there occupying until we could get to you today. In addition to the funds that we have discussed today, we have essentially expended in that building \$60,000 to try and correct some of those deficiencies to make it safer for the people who are currently occupying it.

Chairman O'Neil asked did I hear you say before...I didn't see it unless I missed it that there is approximately 24,000 square feet with the building.

Mr. Anagnost answered yes.

Mr. Jabjiniak answered that is rentable square feet just to be clear.

Alderman Lopez moved to approve the resolution and budget authorizations as submitted. Alderman Smith duly seconded the motion.

Chairman O'Neil called for a vote on the motion. There being none opposed, the motion carried.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee